

CITY OF ASHEVILLE HOUSING TRUST FUND POLICIES

[Passages containing significant changes from current policies are shown in blue]

Purpose

The purpose of the City of Asheville Housing Trust Fund (the Fund) shall be to encourage the development and preservation of housing within the City of Asheville that is affordable to low-income renters and low- and moderate-income homebuyers.

Eligible projects

The following types of project, in order of priority, will be eligible for assistance:

1. Construction or rehabilitation of rental developments targeted to very low income households (up to 60% of area median income).
2. Projects that assist implementation of the City's 10-year Plan to End Homelessness through supportive housing for chronically homeless people with disabilities.
3. Construction of new homes for homeownership by low and moderate income households (up to 100% AMI). Preference will be given to developments that are targeted primarily to low-income buyers, and to developments whose design, density, and location support the City's Smart Growth policies. May include conversion of property from non-residential use.
4. Downpayment assistance to low-income first-time homebuyers (up to 80% AMI). [For consideration: whether to restrict this to HTF-assisted developments, as currently, or to include purchase of any affordable home]
5. Construction or rehabilitation of rental units targeted to low income households.
6. Construction by the City of public improvements which are necessary for the development of affordable housing at a particular site.

All projects must be located within the City limits. Exceptionally, projects located within the City's extra-territorial jurisdiction will be considered if the property is likely to be annexed within the next two years.

Eligible Applicants

The following types of entity will be eligible to apply for assistance from the Fund:

- a) Private incorporated non-profit agencies with an IRS 501(c)(3) or similar designation
- b) For-profit corporations, partnerships, and sole proprietors
- c) Public non-profit agencies and governmental entities.

The City may itself operate projects assisted by the Fund.

Only experienced and qualified entities will be considered for assistance. Individual home-owners or home-buyers will not be eligible to apply directly for funding, but may receive assistance through an agency program.

Eligible Uses of Funds

Fund assistance must be used for documented expenses directly related to the project, including hard costs and soft costs invoiced by third parties, or loans to project beneficiaries. It may not be used for in-house costs (e.g. staff salaries, indirect agency costs), for developers fees, or for pre-development and planning costs. These costs may be part of total project expenses but must be drawn from another source.

Terms of Assistance – see Appendix I

Affordability Requirements – see Appendix.II

Repaid Funds

All loan repayments shall be returned to the Fund.

Application Process

Applications may be made at any time. The City will evaluate proposals using the priorities listed above and the degree to which projects address other objectives established in the City's Consolidated Strategic Housing and Community Development Plan and Smart Growth policies. Evaluation will also take into account project feasibility, readiness to proceed, and developer experience and financial qualifications.

Responsibility for Determining Policies and Project Selection

City Council shall approve these policies and any significant changes to the policies, and shall approve the individual projects recommended for assistance.

The City's Housing and Community Development Committee shall be responsible for making recommendations to Council on the matters listed above. It will also approve the form of the Request for Proposals and the evaluation criteria and have general oversight over the Fund. The Committee may invite technical advisors with expertise in finance and development to assist it, provided that such persons have no connection with any Fund applicant.

Administration

Day to day operations of the Fund will be administered by staff of the City's Planning & Development Department and Finance Department under the general direction of the Housing and Community Development Committee.

Annual Report to Council

Staff will prepare an annual report no later than 90 days after the end of the fiscal year to be presented by the Housing and Community Development Committee to Council. The report will detail:

- a) The financial status of the Fund.
- b) A description of projects to which loans have been made or committed and their status.
- c) A summary of achievements (completed units) for the year and since inception of the Fund.
- d) Recommendations for project types to be assisted in the following fiscal year and any changes in policies and procedures.

Council may also request interim progress reports.

Loan Agreements

For each project, a loan or grant agreement shall be executed between the City and the entity carrying out the project. The agreement will include the terms and conditions required to comply with this policy, and other conditions that are considered by City staff to be necessary to protect the security of loans and ensure compliance with this policy.

Loan security will generally be in the form of a lien on the property being assisted, but other forms of security may be accepted or required at the discretion of City staff. The lien may be subordinated to other liens.

The City Manager, or his designee, is authorized to execute loan agreements on behalf of the City.

Prepared by The City of Asheville Community Development Division
Adopted by City Council
-----, 2006

APPENDIX I

Terms and Conditions of Housing Trust Fund Assistance

Project Type	Terms	Maximum Amount	Income Limits ¹	Price or Rent Limits (see Appendix II) ^{2 3}
1. Rental developments for very low income households	Loans for up to 30 years <u>either</u> at 0% interest with principal-only payments <u>or</u> at 2% interest with interest-only payments and principal deferred until maturity.	\$25,000 per unit and \$250,000 per project; \$500,000 for projects over 30 units with exceptional affordability	Tenants of assisted units must have initial incomes below 60% AMI	B
2. Permanent supportive housing for chronically homeless people with disabilities	Loans or grants – developer may propose any terms supported by financial projections.	Same as (1)	Tenants of assisted units must have initial incomes below 30% AMI	B
3. Construction of new homes for homeownership	Construction loans at 2% interest for up to two years; no payments until units sell, or loan matures, whichever is sooner.	\$40,000 per unit and \$250,000 per development.	Buyers must have income below 100% AMI. (For consideration: waiver of limits for units unsold 120 days after certificate of occupancy)	A
4. Downpayment assistance to first-time homebuyers [For consideration: whether to restrict this to HTF-assisted units or include other homes]	Loans for up to 30 years <u>deferred until re-sale with interest rate equal to rate of price appreciation.</u> ⁴	\$25,000 per unit	Buyer must have income below 80% AMI	A
5. Construction or rehabilitation of rental units for low income households.	Loans at 2% interest amortized for up to 30 years	\$25,000 per unit and \$250,000 per project	Tenants must have income below 80% AMI	C
6. Public improvements necessary for affordable housing development	Funds expended by City (effectively a grant)	\$1,000 per unit	Determined by housing type	Determined by housing type

Notes to Terms & Conditions:

1. AMI = Area Median Income adjusted for family size, as published annually by U.S. Dept. of HUD. **Income limits apply to first buyer or renter only**
2. Rent limits will be revised annually. **Rent restrictions apply for entire loan period**, but actual rents may be increased annually by 3% or up to the published HTF limits, whichever is greater. Higher rents may be approved by the City where more utilities are included or where other subsidy ensures that the rents paid by the tenants remain within these limits.
3. HTF sales price limits will be revised annually; the limit in force at the time the unit is sold will apply. The sales price limit may be waived if staff is satisfied that the buyer is below 80% AMI and other subsidy is used to make the home affordable to the buyer.
4. If the deferred loan is chosen, the buyer makes no monthly payments. When the unit is re-sold (or when it ceases to be the buyer's principal residence) the original loan amount must be repaid plus interest equal to the annual rate of appreciation between the date of original purchase and the date of sale. This means that the amount repaid will be the same proportion of the sales price as the original loan was of the purchase price. The actual sales price will be reduced by the costs of sale and any significant improvements made to the property.

APPENDIX II

Price and Rent Limits for Units assisted through the Housing Trust Fund FY 2006-07

Unit Size	A - Sale price limit	B - Rent limit for very low-income targeting *	C - Rent limit for other developments *
0-Bedroom (efficiency)	\$100,000	\$450	\$550
1-Bedroom	\$115,000	\$475	\$625
2-Bedroom	\$135,000	\$550	\$725
3-Bedroom	\$150,000	\$650	\$825
4-Bedroom	\$165,000	\$700	\$950

* HTF rent limits are exclusive of utilities except for water & sewer. Higher rents may be approved by the City where more utilities are included or where other subsidy ensures that the rents paid by the tenants remain within these limits.